



Statement by Tony Anderson, President
American Soybean Association

before the

Committee on Agriculture
U.S. House of Representatives

July 18, 2001

Good morning, Mr. Chairman, and Members of the Committee. I am Tony Anderson, a soybean and corn farmer from Mt. Sterling, Ohio. I currently serve as President of the American Soybean Association, which represents 28,000 producer members on national issues of importance to all U.S. soybean farmers. I am also appearing on behalf of the National Sunflower Association and the U.S. Canola Association.

We commend you, Mr. Chairman, for the leadership you and Congressman Stenholm have shown in developing a conceptual framework for the next farm bill. The process of finding consensus on these issues, whether among farmers or among Members of Congress, is never easy. We also recognize the time constraint that the Budget Resolution has placed on the Committee, and the need to report legislation before the August recess. Oilseed producer organizations want to be full partners in this effort, and pledge all of our resources to the task at hand.

As you know, oilseeds have never been program crops. Even with introduction of full planting flexibility under the FAIR Act, we have not received AMTA payments to support income. We have received an oilseed payment as part of the Market Loss Assistance provided in the last two years, but it has been less on a per bushel basis than the Supplemental AMTA payments made to program crop producers.

In place of the benefits provided to other crops, oilseed producers have depended on the marketing loan program to support their income. As prices have fallen and remained at historic low levels since 1998, the size of Marketing Loan Gains and Loan Deficiency Payments have caused concern that oilseed loan rates have driven production decisions. In our March 22 testimony to the Committee, we identified other reasons for the rise in oilseed acres since 1995, including the release of pressure to build program crop bases. We stated that two-thirds of the increase in soybean plantings between 1995 and 2000

As we considered how oilseeds should participate in the debate on the next farm bill, oilseed producer organizations made the decision to attempt to reconcile differences with program crops. We recognized that crops that can be planted interchangeably should have programs that provide balanced and equitable – if not identical -- price and income support. We said in our March statement that production decisions should be driven by the market, not by program advantages. We believe the programs we proposed in March would achieve these goals.

Intending no disrespect to you, Mr. Chairman, to Congressman Stenholm, to your colleagues on the Committee, or to your very able staff, we do not find the draft Farm Bill Concept Paper to be balanced and equitable in its treatment of oilseed crops. It gives program crops their current loan rates, the target prices they had prior to the FAIR Act, and the 2002 AMTA payment. It gives oilseeds **reduced** loan rates and establishes target prices and fixed payments at levels that **do not reflect their value or historical price relationship** to program crops. It then forces producers to choose between base periods that lock in these **unequal** benefits, resulting in sharply reduced income protection for most oilseed producers and the likelihood of increased, base-driven production of program crops.

Before providing details on these concerns, we would urge you and the Committee to take another look at some of the proposals advanced at your hearings earlier this year. One of the benefits of establishing a new counter-cyclical income support program is that it can be built from the ground up, making it easier to address all crops equitably. We strongly encourage reexamination of these concepts to see if a new approach can be developed, rather than going back to the target price model.

Fixed Decoupled Payment

The Concept Paper proposes to establish a fixed payment of \$0.34 cents per bushel for soybeans and \$0.60 cents per hundredweight for other oilseeds. These amounts equal the reductions proposed in the national average loan rates for these crops. They also represent the difference between the ceilings and floors for oilseed loans established in the FAIR Act.

We do not believe that basing a fixed payment for oilseeds on the amount by which oilseed loan rates are reduced is equitable. In our testimony to the Committee in March, we proposed establishing fixed payments for oilseeds based on their value relative to AMTA crops. Applying a very conservative historical price relationship between soybeans and corn of 2.3 to 1 to the corn fixed payment of \$0.26 cents per bushel, the soybean payment should be at least \$0.60 cents.

Setting the payment rate for oilseeds at only 57% of what crop values warrant will encourage producers to sign up for the current AMTA base period of 1991-95, when they planted significantly more acres to program crops. Anticipating that these inequitable rates may be continued in future farm bills, farmers would likely increase production of traditional program crops that have higher relative payment rates.

Payment Yields

While the soybean loan rate is proposed to be reduced in the Concept Paper by 34 cents per bushel for soybeans, an AMTA payment for soybeans is proposed to be established in the amount of 34 cents per bushel. Notwithstanding our previously stated concerns about how this AMTA is inequitable in relation to other crops, at first blush it appears that at least soybean farmers would be compensated for the reduction in the loan rate. However, this is not the case. The Concept Paper would establish payment yields for determining oilseed fixed payments comparable to those for AMTA crops, which date from 1981-85. For soybeans, yields during this period averaged 30 bushels per acre, 24% lower than current projected average yield of 39.5 bushels per acre. Applying this difference to the \$0.34 fixed payment, the actual payment rate for soybeans is \$0.26 cents per bushel. This eight-cent reduction represents a loss of \$232 million in income protection on a 2.9 billion bushel soybean crop. In some areas (e.g., the South, Western soybean and corn belt, and Northern regions), yields in 1981-85 were significantly more than 24% lower than current yields. For producers in these regions, the loss of current income protection would be even greater.

We appreciate that the intent of applying historical payment yields to oilseeds is to treat all crops equitably. The effect, however, is to reduce the value of the loan rate protection that oilseed producers are being asked to give up. Producers of traditional program crops will not see their fixed payments devalued under the proposal, since they already are based on 1981-85 yields. Oilseed loan benefits are based on actual production. This is neither balanced nor equitable.

We also are concerned about using payment yields that are so far out of date. If the Committee decides to pursue a program that uses yields as a factor in determining payments, the fact that current yields would result in higher cost should not be a deterrent. Other variables in such a program could be adjusted to offset the higher cost of using recent yields.

Counter-Cyclical Payments

Regarding the establishment of a counter-cyclical payment program, the proposed target prices for oilseeds are clearly not equitable with those of other crops. The \$5.76 per bushel target price for soybeans is 2.1 times the \$2.75 target price for corn. Using a very conservative price relationship of 2.3 to 1, the soybean target price should be \$6.32 – \$0.56 cents per bushel higher.

The Concept Paper provides no rationale for setting target prices for oilseeds at levels well below their historical price relationship with other crops. If the limiting factor is cost, then target price levels for all crops should be set at levels that reflect their relative value. Otherwise, producers will go back to building the more lucrative bases for traditional program crops that receive significantly higher income support, in case the base period for making payments might be adjusted at some time in the future. Such a situation would be devastating for the soybean industry, and would result in a situation

similar to the distortions caused by the 1981 Farm Bill, when soybean acres plummeted as a result of the higher government payments provided to producers of wheat, corn, cotton, and rice.

The proposed counter-cyclical program also would encourage producers to sign up for the 1991-95 AMTA base period, when they planted more acreage to traditional program crops. Since oilseed acres are not counted in this base option, these producers would forfeit income protection for oilseed crops. Even when prices fall below the soybean target price, payments would only be made to producers who sign up for the 1998-2001 base period. This would essentially return traditional oilseed producers to the situation they were in prior to the 1996 FAIR Act – low loan rates and no income protection.

A high percentage of oilseed production could be precluded from receiving income support under the Concept Paper proposal. Soybean production in 1995 totaled 62.5 million acres, about 83% of the 75.4 million acres planted in 2001. If farms comprising this acreage sign up for the 1991-95 AMTA base, they will receive only a significantly reduced loan rate for income protection on their soybean production.

Payment Bases

We do not believe producers should be required to choose between the current AMTA base period and the 1998-2001 period to determine their eligibility for either the fixed or the counter-cyclical payment. Our recommendation to the Committee in March would have allowed producers of traditional program crops to keep their AMTA base, but would have established a more current payment base for oilseeds. The alternative would be to update the base for all crops, and to establish equitable payment rates that would not disadvantage producers who have changed their crop mix. This approach would reduce the total amount of support provided to crops that have lost acreage under the FAIR Act, but would not reduce support to individual farms and farmers.

Loan Rates

We wanted to describe our concerns about the fixed and counter-cyclical programs before commenting on the proposed reduction in oilseed loan rates. If these other “legs of the stool” provided balanced income support for oilseed crops, we could be flexible regarding loan levels. Unfortunately, as I have stated, the fixed payment rates for oilseeds are not in proportion to those provided for program crops, and are further devalued by the payment yield. The oilseed target prices are also well below levels justified by historical price relationships. The result is a substantial incentive to choose the 1991-95 AMTA base period, which provides no income support to most oilseed producers and a significantly reduced loan rate.

The proposed oilseed loan rates would reduce income support to oilseed producers by \$1.0 billion per year. Unless the other programs proposed in the Concept Paper are substantially modified to provide balanced and equitable support to oilseeds, oilseed producer organizations will support maintaining our loan rates at current levels.

Adjusted World Price

We commend the decision to maintain the concept of non-recourse Marketing Assistance Loans in the Concept Paper. While loan repayment rates are not addressed, oilseed producer organizations continue to support allowing loans to be repaid at the lower of the Posted County Price or the Adjusted World Price (AWP). Adapting the AWP currently in place for cotton and rice could be effective in enhancing the competitiveness of U.S. oilseed and oilseed product exports.

Other Crops

Regarding other crops addressed in Concept Paper, we support the decision to restrict multi-year support to crops eligible to be planted on base acres. Planting flexibility provides significant opportunities to producers, but also entails significant risks in price and income variation. Only crops that share base acreage, and that comply with required conservation practices, should receive program benefits. All crops should continue to be eligible for crop insurance and annual disaster assistance.

Conservation

On behalf of ASA, we support reauthorization of the various programs addressed by the Concept Paper, including the CRP, EQIP, Wetlands Reserve Program, Wildlife Habitat Incentives Program, and the Farmland Protection Program. We do not support raising the cap on CRP acreage to 40 million acres because we believe additional conservation funding should be targeted at improving conservation on lands under production. While we support the sign-up of additional acres in the CRP target at improving water quality, we believe other, less sensitive acres currently enrolled in the CRP should not be extended in order to provide room for these additional water-quality acres.

While we understand that the programs addressed in the Concept Paper use all available baseline funds, we continue to support establishment of a voluntary conservation incentive payment program, as proposed under the Conservation Security Act. We look forward to working with the Committee to make room in the overall package for conservation payments.

Trade

With regard to trade, we support reauthorization of the EEP and DEIP export assistance programs, the MAP and FMD market promotion programs, and Food for Progress. We have the following additional comments on these programs:

- The Committee should determine whether the EEP program needs to be funded at the level currently permitted under the Uruguay Round Agreement in order to support U.S. efforts to negotiate an end to export subsidies in the WTO agriculture negotiations. If EEP is not funded, our export competitors may see no reason to agree to reduce their own government-assisted export programs. If

funding EEP entails substantial costs, we propose examining ways to allow EEP funds to be used for other WTO-permitted programs, including MAP, FMD, and humanitarian food assistance.

- ASA supports increasing annual funding of the Market Access Program to \$200 million, slightly higher than the \$180 million proposed in the Concept Paper.
- Regarding the Foreign Market Development Program, ASA strongly urges the Committee to consider our request to establish a minimum annual funding level of \$43.25 million. This level reflects 1986 FMD spending, adjusted for inflation. The Cooperator Program is a core component of U.S. agriculture's long-term commitment to expand foreign markets. It represents a vital public-private sector partnership, and reflects our shared belief that U.S. farmers and ranchers will benefit as global agricultural trade expands. Cooperators have had major problems obtaining sufficient funds to keep FMD programs operating at a basic level. These annual efforts have drained resources from other needed activities. We urge the Committee to recognize the benefits of the FMD program, just as it has in the case of MAP.
- Food for Progress is a key part of our future national humanitarian assistance strategy. ASA sees this initiative playing an increasingly significant role in improving nutrition, including consumption of soy-based protein, in developing countries. We support increasing funding for Food for Progress to \$1.0 billion per year as part of an overall strategy that would support an annual commitment of 5.6 million tons of food aid. This plan would also include increased funding for both Titles I and II of P.L. 480, and a phased increase in support for the Global Food for Education Program to the full commitment of \$750 million per year.

ASA also supports authorization of a Biotechnology in Agricultural Trade program, to expand public and private sector efforts to educate and inform the populations and governments of developing countries about the benefits of agricultural biotechnology. This program should include activities that improve the capacity of these countries to evaluate the safety of biotech products for humans and the environment, so they are not forced to rely on the unscientific standards currently used by the European Union.

Research

Oilseed producer organizations fully support the continuation and funding of the Research Initiative for Future Agricultural Systems.

Nutrition

ASA supports the funding level proposed for the Emergency Food Assistance Program, and the reforms proposed in the operation of the Food Stamp program.

Rural Development

ASA supports the various national rural development programs addressed in the Concept Paper.

Conclusion

That concludes my statement, Mr. Chairman. I want to again commend you for initiating this process, and pledge our support for your effort to develop farm programs that are balanced and equitable. I look forward to responding to your questions.